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The President's Daily Brief

26 June 1973

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~~*Top Secret*~~ 25X1

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THE PRESIDENT'S DAILY BRIEF

26 June 1973

PRINCIPAL DEVELOPMENTS

	Greek	
	(Page 1)	

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Romania appears to be building ten Chinese-designed gunboats, which will be the country's first non-Warsaw Pact arms. *(Page 2)*

Brussels is urging NATO to revamp the procedural system for the MBFR talks so that smaller countries will have a larger role. *(Page 3)*

On Thursday, EC finance ministers will renew their efforts to find some common ground on how to promote monetary union and fight inflation. *(Page 4)*

Notes on the USSR and Iceland appear on *Page 5*.

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GREECE

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FOR THE PRESIDENT ONLY

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Romania Building Chinese-Designed Gunboats

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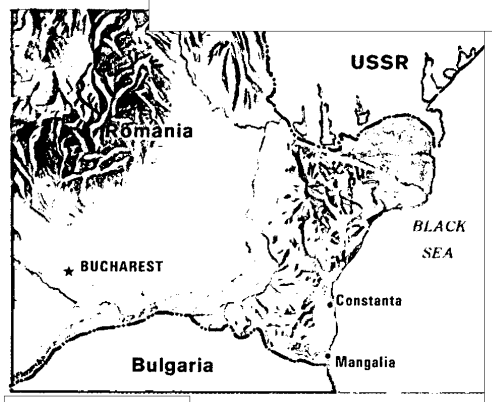

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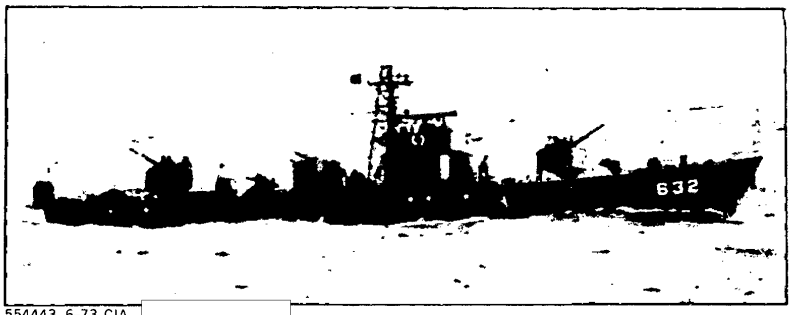
Length	128 feet
Displacement	155 tons (full load)
Propulsion	4 diesel engines
Maximum speed	32 knots
Armament	4 37-mm antiaircraft guns 4 25-mm antiaircraft guns 1 75-mm recoilless rifle depth charges and mines

Shanghai-Class Gunboat



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ROMANIA-CHINA

[redacted] what appear to be ten Chinese-designed motor gunboats being built at Romania's Mangalia shipyard. Construction of the gunboats began about a year ago. They will be Romania's first non-Warsaw Pact arms since World War II. 25X1

The gunboats probably are being built with Chinese assistance. The program is an important step in Bucharest's drive to diversify its sources of arms and to build up its domestic armaments industry. Romania is also engaged in a joint project with Yugoslavia to build fighter aircraft and possibly submarines.

The gunboats may be part of a $300-million package of credit assistance that Peking granted Romania in late 1970. High-level Sino-Romanian military exchanges have become commonplace since the Soviet-led occupation of Czechoslovakia five years ago. The Romanian chief of staff, General Ion Gheorghe, is currently visiting Peking.

President Ceausescu may have been trying to head off Soviet reaction to the gunboat project in a speech on May 30 when he said Romania intended to continue getting most of its arms from the USSR. Moscow will nevertheless almost certainly express its displeasure, even though the gunboats will not greatly improve the Romanian Navy's extremely limited capabilities.

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BELGIUM-MBFR

Belgian officials are urging the North Atlantic Council to consider revamping the procedural system for the MBFR talks. They would like to broaden the negotiating format from a four-country "emissary system"--the US, a West European, the USSR, and an East European--to a regular schedule of full-scale plenary meetings. Another proposal would limit the decision-making mandate of the ad hoc group of Western representatives in Vienna, requiring that its work be subjected to frequent review by the national governments concerned as well as by the North Atlantic Council.

The Belgian effort stems from Brussels' dissatisfaction with the small role it played in the MBFR preparatory phase and its fear that a reduction of US forces in Europe will affect Belgian security. The Belgian proposals--which, if adopted, would slow the tempo of negotiations and give smaller countries greater control over the formulation of Western negotiating positions--are designed to contain domestic pressures and justify the country's participation to skeptical defense officials.

The UK and West Germany will probably be willing to adopt certain compromises in order to allay the fears of their allies. Although the Belgians have gone furthest in dramatizing their concerns--having broken ranks with the others on several occasions--other small allies would like to see more plenary meetings. Most allies probably will eventually settle for a combination of more regular plenary sessions in which positions could be presented and agreements recorded, supplemented by working committees and emissary meetings where much of the negotiating would be done.

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EUROPEAN COMMUNITIES

Member governments remain sharply divided on how to move toward monetary union and against inflation. EC finance ministers will renew their efforts to find common ground when they meet on Thursday, but seem unlikely to reach a consensus for community action.

The Commission has proposed that member countries allocate 20 percent of their monetary reserves to a common pool to help maintain the narrow European currency band. The French favor the pooling of reserves, but are unwilling to give EC institutions the supranational authority necessary to make the pool a part of an effective monetary union. The Germans oppose further steps toward union without vesting the EC with this authority and providing for the harmonization of monetary and fiscal policies.

The Commission is again urging strong action to stem inflationary pressures, which are being aggravated by the community's rapid economic expansion. The measures proposed by the Commission last January, however, have been largely ignored by all member countries.

Except for proposed tariff measures, anti-inflationary policy tools remain under the control of member governments, and monetary and fiscal action will be taken only when domestic political climates are favorable. On the tariff measures, the French probably will oppose the German recommendation for unilateral external tariff reductions, which they view as prejudicial to the upcoming GATT negotiations.

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NOTES

USSR: [redacted] 25X1
[redacted] the Soviets have launched their fourth D-class 25X1
submarine at Severodvinsk on the White Sea. Two other D-class units are now fitting out there, and earlier this month the first D-class returned to the shipyard after a shakedown cruise. The first D-class launching at Komsomolsk in the Far East is expected soon. The D-class is designed to carry 12 ballistic missiles with a range of 4,300 nautical miles.

Iceland: The government yesterday formally invoked Article VII of the 1951 defense agreement with the US. Under this provision NATO is to review the continuing need for the Keflavik base, but if a new accord is not reached in six months, either the US or Iceland can give a 12-month termination notice. Iceland's willingness to participate in meaningful negotiations still depends on resolving its dispute with the UK and West Germany over fishing limits.

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